



County of Los Angeles CHIEF EXECUTIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION
LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

June 17, 2008

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**DEPARTMENT OF HEALTH SERVICES: APPROVAL OF AMENDMENT NO. 1 TO
AGREEMENT NO H-700259 WITH KAISER FOUNDATION HOSPITALS AND
DELEGATION OF AUTHORITY
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)**

SUBJECT

Request approval of an agreement amendment to extend the term and adjust contracted rates with Kaiser Foundation Hospitals and delegation of authority to execute future amendments with all health plans that provide services to their members through a Department of Health Services' hospital(s).

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Interim Director of Health Services, or his designee, to negotiate and execute Amendment No. 1 to Agreement No. H-700259 (Agreement) with Kaiser Foundation Hospitals (Kaiser) to extend the agreement effective July 1, 2008, on a month-to-month basis, not to exceed six months, through December 31, 2008 to provide sufficient time to replace the Agreement in its entirety, for the provision of hospital burn services provided by the LAC+USC Medical Center (LAC+USC) to Kaiser's members and adjust the existing contracted rates at or above LAC+USC's variable cost contingent upon prior approval by County Counsel and the Chief Executive Officer (CEO) with notice to the Board Offices.

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

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Third District

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Fifth District

2. Delegate authority to the Interim Director, or his designee, to execute future amendments to existing hospital services agreements with health plans to:
 - a) extend the agreement term on a month-to-month basis, not to exceed six months, to provide sufficient time to replace the Agreement in its entirety;
 - b) adjust the contracted rates at or above the variable cost for the provision of such services by each participating Department of Health Services' (Department or DHS) hospital; c) add new services; and d) incorporate new or revised State/federal law and regulations, accreditation requirements, or County requirements, as applicable, all contingent upon prior approval by County Counsel and CEO, with notice to the Board.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of the recommended actions will allow for the continued provision of hospital burn services by LAC+USC to Kaiser's members at rates at or above LAC+USC's variable cost, and enable the Interim Director to negotiate and execute amendments to existing hospital services agreements with health plans consistent with the Board's directives on October 16, 2007.

Implementation of Strategic Plan Goal

These actions support Goal 1, Service Excellence and Goal 4, Fiscal Responsibility of the County Strategic Plan by providing hospital burn services to patients of other health plans at rates to cover the County's variable costs for providing such services.

FISCAL IMPACT/FINANCING

The Department is currently reviewing all health plan agreements to ensure that the rates, at a minimum, cover the variable cost of each participating DHS hospital, and plans to re-negotiate agreements (e.g. Kaiser) that contain rates below the DHS hospital's variable cost.

The amount of additional revenue resulting from approval of the recommended actions cannot be determined at this time until the hospital services agreements with health plans are fully negotiated and executed. Since the rates to be re-negotiated are confidential in accordance with Section 1457 of the California Health and Safety Code, the Department will share such rates with each Board Office, the CEO, and County Counsel under separate cover.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On March 30, 2004, your Board approved the Agreement with Kaiser for the provision of hospital burn services by LAC+USC to Kaiser's members through June 30, 2007, with

an automatic month-to-month renewal through June 30, 2008. The Department's review of the Agreement revealed that the contracted rates do not cover LAC+USC's variable cost. The Interim Director intends to re-negotiate the rates accordingly, and is requesting a contract extension, on a month-to-month basis, not to exceed six months, to provide sufficient time to replace the Agreement in its entirety.

On October 16, 2007, your Board authorized the Director to negotiate and execute new hospital services agreements with health plans to increase revenue for the Department, provided that the contracted rates covered the variable costs of participating DHS facilities. Approval of the delegated authority to amend the existing health plan agreements will allow the Department to extend and amend the agreements to ensure for the continued provision of services by DHS facilities at rates consistent with the Board's directives described above; add new services to take advantage of future business opportunities for the Department; and incorporate new or revised State/federal law and regulations, accreditation requirements, or County requirements, as applicable.

The Department will continue to work closely with County Counsel and CEO to ensure that the County's interests are represented and protected during the period of delegation, and will include the contracts amended under delegated authority in its biennial report to the Board.


IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of the recommended actions will ensure that services provided by DHS hospitals are adequately compensated by health plans at rates acceptable to County.

CONCLUSION

When approved, DHS requires three signed copies of the Board's action.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer

WTF:SRH:SAS
MLM:LT:yb

c: County Counsel
Interim Director, Department of Health Services